

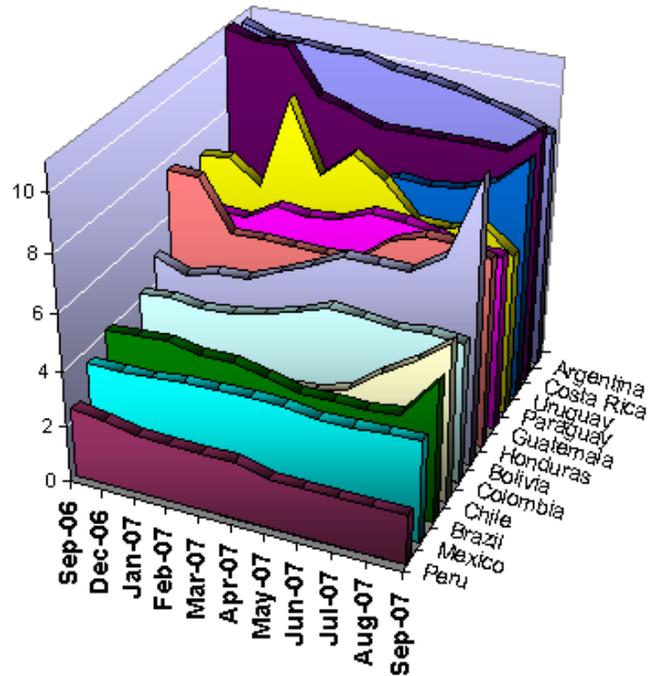


Revelation of Expectations in Latin America
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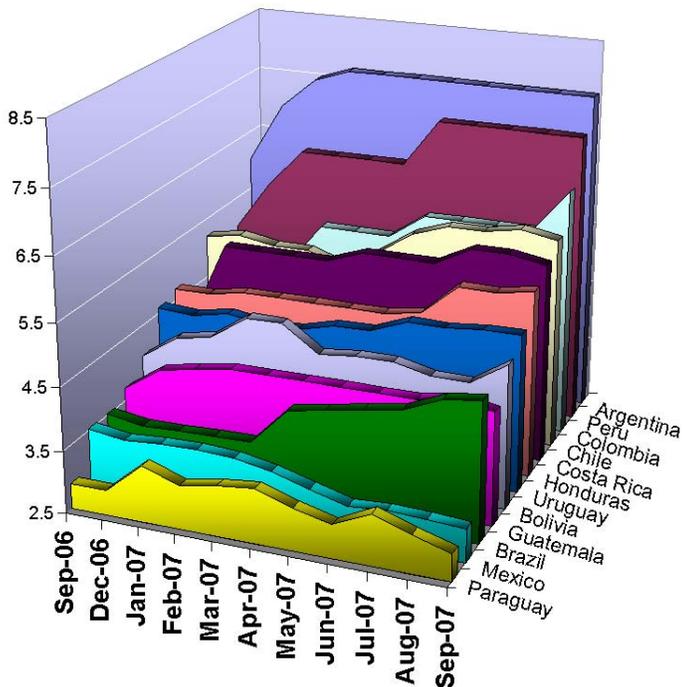
About REVELA: The figures analyzed represent the results of surveys of private sector actors conducted by the central banks of each country according to their own specific methodologies. They do not represent official projections by the IDB or any other official body. The IDB Research Department collects the results of these surveys from participating central banks on a monthly basis (around the 20th of each month) to produce REVELA. This document analyzes differences across countries and trends over time. The data are available at www.iadb.org/res

Growth expectations for 2007 continue to rise in Latin America. For the countries surveyed, the simple average expected growth rate for 2007, at 5.28%, is now 0.07% higher than last month. Growth

Market Expectations-Inflation
 (% , end 2007)



Market Expectations-GDP Growth
 (% , end 2007)



expectations for 2008 are lower than 2007 and at 4.72% are virtually unchanged from last month. However, **inflation** expectations for 2007 and 2008 continue to rise. The average expected inflation rate is 6.4% for the current year, 0.4% higher than last month. Inflation expectations for 2008 increased from 6.64% to this month's 6.87%. The graphs show the time path of growth and inflation expectations across the countries surveyed.

Growth

Growth expectations increased in four countries included in REVELA. Colombian 2007 growth is now expected to be 6.5%, up 0.7% from last month's figure of 5.8%. Brazilian growth is now expected to be 4.73% for 2007 - up from 4.64%. Growth in Bolivia is now expected to be 4.79% for 2007 - up from 4.42%. Growth expectations for 2007 remained stable in Argentina (7.7%), Peru (7.2%) and Uruguay (5.02%). And they declined in five countries: by 0.1%

in Chile (from 6.0% to 5.9%), in Costa Rica (from 5.8% to 5.7%) and in Guatemala (from 4.4% to 4.3%). For Mexico growth expectations declined marginally from 3.06% to 3.03% and in Paraguay from 3.11% to 2.94%.

Growth is forecast to slow in 2008 in the region as a whole, reaching a simple average of 4.63% without including Honduras in the calculation and 4.72% including that country. Although the average expected growth rate for 2008 is lower, there are three countries that are expecting higher growth in 2008 than in 2007: Bolivia (4.83%), Mexico (3.59%) and, Paraguay (3.19%). Compared to last month, expectations for 2008 growth rose only in Bolivia and Brazil, and decreased slightly in all the other countries.

Inflation

Inflation expectations are increasing in both 2007 and 2008 in Latin America. In Bolivia, 2007 inflation expectations rose sharply from 7.2% to 10.1%. Expected inflation for 2007 was also up significantly in Brazil from 3.59% to 5.03% and in Uruguay from 7.68% to 8.69%. Other countries where expectations for 2007 inflation rose included Costa Rica (9.25% versus 8.3%), Guatemala (6.35% against 6.31%) and Mexico (6.65% against 3.58%) from last month. Despite the increased inflation expectations over the last two months, in Chile, inflation expectations continued to rise, with 2007 inflation expected to come in at 5.7% - 0.9% higher than last month. On the other hand, inflation expectations fell in Colombia by 0.1% to 5.05%, in Honduras by 0.35% to 6.8% and most significantly in Paraguay by 0.87% to 5.81%.

Inflation is expected to rise in 2008 from the current average of 6.4% for 2007 to 6.87% for next year. However there are some countries, including Brazil, Chile, Mexico and Uruguay that are expecting lower inflation rates for 2008 than for 2007.

	Average changes	
	Inflation	Growth
Argentina	▼	—
Bolivia	▲	▲
Brazil	▲	▲
Chile	▲	▼
Colombia	▼	▲
Costa Rica	▲	▼
Guatemala	▲	▼
Honduras	▼	▲
Mexico	▲	▼
Paraguay	▼	▼
Peru	—	—
Uruguay	▲	—

Source: Latin American Market expectations surveys

Inflation expectations for 2008 increased in Bolivia, Brazil, Chile, Paraguay, Uruguay and Guatemala from last month and decreased in Mexico, Paraguay and Honduras; inflation expectations did not change in Costa Rica.

The table above summarizes the movement in expectations from the August 2007 to September 2007 surveys for 2007 growth and inflation. As can be seen, the changes in inflation expectations are mostly positive while those for growth are quite mixed across countries.

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